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ABSTRACT

The fourth in a series of analytical studies of the financing of community colleges in the United States, this report provides information for the 38 states which accounted for more than 95% of the total Fall 1978 community college enrollment. Data indicate that allocation of funds to community colleges still follows four traditional patterns and procedures: (1) negotiated budgets, where state support is based on an annual (or biennial) negotiation between colleges and state funding agencies; (2) unit rate formulas, where funding is made on the basis of a formula specifying a stated number of dollars per a selected unit, e.g., full-time equivalents (FTE's), credit hours, or other output measure; (3) minimum foundation funding, a variable allocation where state funds are modified by local tax yield deducted from a predetermined total; and (4) cost-based program funding. Allocation of funds in this category is based upon differential amounts related to cost centers. The analysis presented here indicates a wide range in the level of support per FTE, from a low of \$1,010 in South Carolina to a high of \$2,634 in Wisconsin. The average cost for the 34 states reporting level of support per FTE is \$1,813. A state-by-state analysis of funding amounts and procedures is provided and relevant data are presented in tables. (Author/DR)

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FINANCING COMMUNITY COLLEGES

1978

by

James L. Wattenbarger

and

William F. Stepp

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Institute of Higher Education
University of Florida
Gainesville, Florida

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Assisted by the National Council of State Directors
of Community/Junior Colleges

FOREWORD

Interest in the financing of community colleges has increased many fold during the past few years. Studies which are currently under way at the Brookings Institution as well as three major books by individual authors contribute a variety of opinions and approaches to plans for supporting these colleges. While most of the community college students (over 98%) are attending in only 40 states, citizens are provided some type of institution at this level in all of the 50 states.

The National Council of State Directors of Community/Junior Colleges have been generous with their time as well as their limited resources in supporting this project. I am indebted to Dr. Alan Bielen and Dr. Paul Starnes, both on the staff of the Illinois Community College Board during the time of this study, for their advice and counsel in developing the study. Mr. William Stepp has provided continued help in the compiling of data and the assembling of the final report.

We all look forward to the 1980 edition which will follow.

August, 1979

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TABLE OF CONTENTS

FOREWORD	i
TABLE OF CONTENTS	ii
Introduction	1
Support Patterns for Community Colleges	5
Conclusions	24
Some Random Conclusions	26
Tables	29
Table 1	30
Table 1A	31
Table 2	32
Table 3	34
Table 4	37

Introduction

This is the fourth in a series of analytical studies of the financing of community colleges in the United States. The cooperation and support of the state directors has been an essential element in these studies. Even with that help, however, there are obvious gaps in the data which affect an ability to assess the completeness of the picture of financing these institutions.

Several points are readily apparent. There is a wide range in level of support per FTE: from a low of \$1010 per FTE in South Carolina to a high of \$2634 per FTE in Wisconsin (Table 1). The average cost for the 34 states reporting is \$1813 for 1978 with 15 states above that point and 19 below. The data reported makes one wonder how much difference there may be in the programs supported by these funds. Certainly the programs available to students in Wisconsin, Delaware, and Georgia must be very different in character, availability, and diversity.

Since quality is often measured by the amount of support made available, one also must wonder concerning the level of quality which may be identified in each state. Neither the questions concerning diversity or quality can be answered with confidence using the data currently available.

This report provides information from most of the states. Although all 50 states were invited to participate in the study, information was received from only 38. These 38 states, however, enroll more than 95 percent of the total Fall 1978 community college enrollment. One may assume, then, that the data described herein will be fairly representative of community college financing nationwide.

In 1979 the allocation of funds to institutions still follows traditional patterns and procedures. Cutbacks and restrictions have resulted from declining enrollment, and intentional cost saving devices which have been adopted for deliberate curtailment of expenditures. Some of these include caps on enrollments and limited support for selected programs.

The four models reported earlier (See ERIC ED038129, ED086276, ED097036, and ED132994) were: (a) negotiated budgets, (b) unit rate formulas, (c) foundation program funding, and (d) cost-base program funding. (These are also described in Wattenbarger and Cage, More Money for More Opportunity.) States have generally followed previously established procedures, building new procedures "in addition to" rather than "instead of". Modifications and a limited amount of fine tuning of currently used procedures were evident.

Negotiated Budget Funding

Allocation of funds from the state for the support of community colleges in this category is based upon an annual (or biennial) negotiation for a budget, and the funds are then allocated to colleges based on this negotiated budget. A budget may be based on a single figure or it may be a line by line item approach. According to information from the states this procedure is used by the following states:

Colorado (state operated colleges), Delaware, Idaho, Kentucky, Maine, Massachusetts, New Hampshire, Rhode Island, South Dakota, Utah, Vermont, and Virginia.

Unit Rate Formula Funding

Allocation of state funds to individual colleges is made under this procedure upon the basis of a formula specifying a stated number of dollars per

a selected unit of measure. Units of measure are usually expressed in FTE's, credit hours, or a similarly designated output measures and the dollar amounts may be changed from time to time by the appropriating agency.

States currently reporting allocations based on unit rate formulas are:

1. With a maximum dollar amount or percentage of state support established in the statute:

Maryland, Missouri, New Jersey, New York and Pennsylvania.

2. With no maximum established, limited only by amount appropriated:

Arizona, Alabama, Alaska, Colorado (locally controlled), Kansas, Mississippi, Nebraska, North Dakota, Ohio, Oklahoma and Oregon.

Minimum Foundation Funding

State allocations for colleges may be modified to the extent that a local tax yield is deducted from a predetermined total. Some districts are more wealthy than others and will, under this commitment, receive less state funds than a poorer district. The variable allocation may be expressed either as an established dollars per student amount minus a required local contribution amount or as a total budget minus a required local contribution. States currently using the minimum foundation allocation method are:

California, Illinois, Michigan, Montana, New Mexico, Wisconsin and Wyoming.

Cost Based Program Funding

Allocation of funds to colleges in this category are based upon differential amounts related to cost centers. The amounts for each cost center are determined by annual studies which relate actual costs to the numbers of students served. An individual college will receive funds related to its own program mix. There is a diversity among the states regarding the level of sophistication used in such computations. Those using some type of cost based funding are:

State level funding only:

Arkansas, Florida, Georgia, Hawaii, Indiana, Louisiana,
Minnesota, Tennessee, Washington and West Virginia.

Local support also required:

Iowa, North Dakota, Oklahoma (locally operated), South
Carolina, and Texas.

Support Patterns for Community Colleges

The stresses of inflation, stabilizing or declining enrollments, as well as increasing costs in general have caused many financing difficulties and have resulted in the emergence of a number of inadequacies in the support mechanisms used for financing community colleges. There have been, however, as of 1979, only a few major changes in financing patterns since the earlier reports in this series were written. The taxonomy of types of support patterns which were described earlier still is descriptive and useful. While states have "tinkered" with their formulas, little basic differences have developed which affect the concepts and value systems which have been used in the past for community college support. Problems suggested earlier have been accentuated but only a few new ones have appeared.

The following state by state analysis is based upon reports from each state office responsible for community colleges. These include staff persons of state level coordinating boards, of state departments of education, of boards of regents, or other relevant state agencies. In instances where there is no new information the reader may wish to refer to one of the previous studies in this series for more complete information. Previous studies are in the ERIC files (ED038129, ED045068, ED086276, ED097034, ED132994).

Alabama

No report. This is a state system of junior colleges under the State Board of Education and the colleges are largely state supported.

Alaska

No report. This is a system under the University of Alaska. Some local funds may be used in occupational program support.

Arizona

The allocation of funds from the state for capital outlay has been changed since the last report. Under the new law the legislature will provide for \$175 per capita per annum for the first 5,000 students and will continue the \$135 per capita for those over 5,000. The basis for operational funds continues at the same rate as previously reported: \$680/FTE for non-vocational students and \$952 for each vocational student in the first 1,000 students plus \$440/FTE and \$616/FTE for those over 1,000. Most of the operating support comes from local property taxes as the major source of support. These are levied by local Boards of Supervisors based upon needs as presented by respective local district governing boards. Student fees have increased as much as 40 percent in some districts and are not related to student's residence. Non credit courses are considered to be self-supporting.

Capital outlay funds are derived two thirds from the state, with local sources providing another 27 percent. The funds available in 1977-78 for capital outlay was over \$11,000,000.

There is no attempt to coordinate grant proposals on federal fund dispersion at the state level. This includes the fact that no state office is involved in student aid programs.

The major problem reported by Arizona caused by rising costs and an unchanged formula amount is the law. Local taxes are needed to make up the difference and the increased assessments which result from inflation and/or increased property values are not adequate to meet the need for more support for existing programs.

Arkansas

No changes from previous procedures were reported except in minor ways. Cost studies form the basis for state allocations with 77 percent of the operating funds coming from state sources. Although local millage provides a minor support, local boards do have limited authority to provide local taxes. Student fees have increased by about 18 percent for in-district students only. Direct instructional costs of non-credit courses must be gained from fees on those courses. There is no differentiation between residents and non-residents on payment of fees, and charge back while legally permitted is not used. Vocational education funds are not available to the community college. Student financial aid is generally ignored as far as the state is concerned.

The major problem reported in Arkansas is the difficulty in obtaining adequate support for capital outlay. This has been considered to be a local matter with no state support at all, and local taxes are generally too low to provide very much capital outlay support. The result is inadequate funding.

California

Major attention has been focused on California for several reasons: the passing of Proposition 13 has pinpointed local tax support problems; the excellent reputation for community college development in the past has made the state an exemplary situation for observing a RIF in operation; and the state leadership has given great emphasis during the current year to a study of community college finances.

The direct result of Proposition 13 limitations on local taxing has been a drastic change in sources of support for California community colleges. Now

approximately 65 percent of the operating funds comes from the state with only 25 percent coming from local sources. An increased use of federal and miscellaneous sources has been encouraged and has developed to some extent. Prior to this year only 41 percent of the funds were state allocated and 47 percent were local funds. The recent limitations effectively cut local funds in half.

The California Postsecondary Education Commission has adopted basic principles "appropriate for the mission of the California Community Colleges and the fiscal realities after Proposition 13." These are:

1. The burden of support for the Community Colleges should be distributed evenly and equitably throughout the State.
2. To provide equity for all students in public institutions, the Legislature and Governor should be responsible for annually determining the aggregate budget of the Community Colleges within the context of the total resources available for public higher education.
3. In establishing the statewide needs of the Community Colleges, the State should adopt a classification system reflective of the different kinds of activities within the colleges.
4. A permanent system of Community College finance should eliminate funding inequities based exclusively on wealth.
5. The finance system for the Community Colleges should accommodate a variety of methods to deliver education.
6. Funding for each unit of attendance or credit should be roughly equal among the Community Colleges. Any differences should be based only on adjustments which recognize justifiable differentials in costs because of campus size and the programs required by characteristics of students and the community.
7. The Community College finance system should exclude unwarranted incentives for growth and punitive reductions for enrollment declines.
8. Authority for decisions should correspond to the interests represented by the local communities, the regions within California, and the State as a whole.

9. The State should assume primary responsibility for funding major capital outlay projects for the Community Colleges.

The California Community Junior College Association's Board of Directors has adopted a summary of principles as developed by its Task Force on Community College Finance. These are:

1. Community colleges should be supported in part by a defined, proportional share of the local property tax and in part by state allocations.
2. Tuition should not be charged.
3. No additional fees should be authorized.
4. There should be greater flexibility in funding capital outlay; a significant portion should be provided by the state.
5. State allocations should be based upon a statutory formula rather than an annual budgetary review process.
6. Funding should be based on weekly student contact hours and average daily attendance.
7. A "marginal cost" approach should be used to provide for changes in workload.
8. A phased mechanism should be utilized to equalize financial ability among districts of differing sizes and wealth.
9. No additional programs should be mandated by the state; existing ones should be fully state-funded.
10. Noncredit programs should be fully funded.
11. Community college funds should not be diverted or "skimmed off" to other agencies or programs offering similar services.
12. State allocations should be increased to cover the additional costs if pro rata pay for part-time instructors is mandated.
13. The statutory formula should contain an annual inflationary factor.
14. Community colleges should be recognized as a distinct segment of California's public education system; they should be financed by a system designed to enable them to play their

unique role rather than to force them into a pattern designed for the K-12 or higher education segments.

The similarities and even more importantly the differences between these two statements might well be used to illustrate some of the current controversies in community college finance. The 14th principle of the CCJCA is particularly noteworthy in representing the strong position of most community college leadership.

Colorado

There are two systems of community colleges in Colorado: one, a state system with about 21,000 FTE's and second, a local district system with a similar enrollment. The state system receives direct appropriations from the Legislature while the districts receive grants based on "eligible Colorado resident FTE students." A new 1978 law permits changes in the grant rates without amending the law. This change has not yet been implemented. Seventy percent of the operating costs of the state system comes from state sources; 40 percent of the district system. Local ad valorem taxes provide the local portions (35%) of the district system. State funds are not provided for nonresidents in the local colleges, however. Special attention has been given to the small colleges. A task force report has detailed the problems occasioned by the formula budgeting approach and has recommended modifications which would provide funding which takes into account fixed costs, isolation, and other adjustments. Zero-base budgeting is applied to 20 percent of each department. Tuition increases have been applied to resident students by 22 percent between 1975 and 1977 and by another 17 percent in 1978. A surcharge is assessed to students for hours taken above 18 SCH. Nonresident fees vary among institutions. State system colleges, however, charge 100 percent

of previous year's operating costs as a fee to nonresident students. There is no provision for charge back.

A great deal of attention is given to student financial aid with state contributions constituting an important consideration.

Problem areas identified in Colorado include the 7 percent statewide spending restriction which does not accommodate a rapidly growing population, inflation in expenses, increasing costs of imposed accountability, costs of serving special students, and the need for remodeling facilities constructed in the 1960's. Lack of understanding of community college role still creates problems as well.

Connecticut

No changes reported. This system is largely state supported.

Delaware

No changes reported. This is also a state supported system.

Florida

Florida is one of the states which has a most sophisticated program for allocating funds to community colleges. It is a cost based allocation and requires a very accurate MIS. Funds are largely state contributions with no local taxes although student fees are relatively high (24 percent of cost per student). There were no changes in the basic law, however, there were several provisos in the appropriations bill which affected the allocation of funds. These include a deduction of \$360 per FTE for credit courses, and \$120 per FTE for noncredit occupational courses. No funds for transportation were provided although the law still authorizes such funds. The legislature did not appropriate funds adequate for funding the formula as prescribed by law thereby placing a "cap" on enrollment. The high cost programs, however,

are not adequately funded in this cost based program.

Georgia

Appropriations and allocation are based on enrollment projections and actual expenditures for the previous fiscal year. The budget cycle is continuous and amendments are carried to the Board of Regents each month to reflect the current status of the budgets of each unit.

There have been no substantive changes in the funding formulas, or laws since 1976. Funding for instructional and research positions is at a uniform \$/faculty rate. Clerical and technical support is funded at a \$/staff position. The extension and public service function is funded at a \$/CEU (continuing education unit).

Hawaii

No response. This is a state supported system.

Idaho

No response. There are only two public community colleges in Idaho.

Illinois

There have been no substantive changes in the funding formula since the last report. The funding formula is up for review FY80; under review is a study of contact hours and/or clock hours in addition to the current credit hour formula.

Indiana

Only one community college is operating in Indiana, although Indiana vocational technical colleges operate 13 regional centers.

Iowa

The Department of Public Instruction staff working in conjunction with the merged area school superintendents and the boards of directors developed

a program funding formula. The rationale for this approach was an assumption that the fiscal year 1979 budget was the end result of four years of planning and revising a funding formula that moved merged area schools toward average programs costs. The actual funding approach identified resources necessary to fund the expenditures proposed in the approved fiscal year 1979 budget. The formula also included certain types of school revenue such as federally funded programs and federal funds for special programs and projects.

In planning for this funding approach, three additional considerations were made that will impact on future funding of the system.

(1) Inclusion of unrestricted fund balances as a part of the funding approach. . . .it proposed utilizing unrestricted fund balances to fund merged area school operating programs during fiscal year 1980.

(2) Merged area school that retained an unrestricted fund balance (FY 1981) larger than one month's operating expenditures would be penalized to the extent that the amounts in excess of one month's operating expenditures would be used to fund the institution rather than receive a state appropriation equal to this amount.

(3) Start-up programs initiated during fiscal year 1979 with an enrollment appropriation of \$250,000 were not built into the budget for merged area school expenditure for fiscal year 1979. This consideration required an increase in income resources for each of the participating institutions by the amount of tuition and non-equipment income, subsequently increasing the base for these institutions for fiscal year 1980.

The state general aid request for the merged area schools is determined by subtracting revenue determinatives from total allowable expenditures.

Allowable expenditures are derived from the one hundred and forty-five

(145) cost centers, e.g., adult basic education, agriculture, vocational-technical, etc., which comprise the merged area school programs. Allowable formula expenditures for fiscal year 1979 were derived by adjusting the cost center expenditures for 1977 to 80 percent of the statewide mean cost. The base figure was adjusted for inflation during the biennium (4.5% first year, 7.8% second year). Adjustments for multi-campus merged area schools were made; \$25,000 for the second campus and an additional \$15,000 for a third campus.

Revenue determinations are calculated as follows:

- (1) Three percent increase in local property tax projections for FY 1978;
- (2) Inclusion of \$8.7 million state vocational aid;
- (3) Federal vocational aid in an amount equal to meet the state requirement when combined with the state appropriation;
- (4) Federal adult basic education funds;
- (5) Re-occurring sales, services and "other" income as "actual" FY 1977;
- (6) Federal work-study revenue included at 75 percent of the actual revenue for FY 1977.

Kansas

No report. Twenty-one locally controlled community colleges comprise the system.

Kentucky

The University of Kentucky Community College System employs an incremental approach to reflect funds needed in each budget area: program continuation, program development, enrollment changes and new programs. The community college program budget (non-formula funding) negotiated on an annual basis with the Kentucky Council on Higher Education.

Student fees (\$195/semester in state) have been pledged to retire a twenty-one million dollar bond issue used for construction projects throughout the system. Funding for general education purposes is largely dependent on state appropriations.

Louisiana

Each institution is awarded a yearly base appropriation of \$1.1 million and generates an additional \$5.65/SCH. An inflation adjustment of 8 percent of state monies spent in support areas (student services, operation and maintenance of plant) will be granted for 1979-1980 and a 10 percent adjustment for 1980-1981.

Mandatory attendance fees (tuition) of \$170/semester are charged to students receiving 12 or more hours of instruction.

Maine

No report. Two community colleges are reported as branches of the University of Maine.

Maryland

The current funding formula calls for each institution to develop its budget and for the political subdivision (e.g., county, city) to set the level of financial support within which the local colleges must operate. The state provides 50 percent of the net operating cost up to \$800 per FTE, the local political subdivision provides a minimum of 28 percent of the cost and the student is responsible for 22 percent. Preferential fundings (e.g., less than 500 FTE, county population less than 25,000) is at a rate of 55 percent from the state, 32 percent from the political subdivision, and 13 percent from the student. (Note: The percentage amount is subject to changes as the local community college boards set the tuition rates. In-state tuition for

credit courses ranges from \$13/credit hour to \$22/credit hour.)

Capital outlay funds are provided by the state at a rate of 50 percent for eligible construction projects. Regional community colleges are eligible for state aid up to 75 percent of construction cost. The current construction bond formula awards 50 percent of \$8,000 per FTE using the following formula:

\$6,000 multiplied by the projected FTE for College X, less the total cost of approved projects at College X. The result is then multiplied by a constant 1.33.

Massachusetts

No changes were reported in the support for the 18 institutions in Massachusetts.

Michigan

No changes in funding formulas since 1976. However, pending legislation seeks to develop a community college program classification structure for use in documenting financial needs. Regarding student tuition the legislation sets forth a tuition share funding requirement of 22.5% for in-district and 37.5% for out-of-district students educational cost.

Minnesota

No changes were reported. This is a state supported system.

Mississippi

No changes were reported. The local/state combination of support has been in operation for many years.

Missouri

The process of estimating projected expenditures is based on actual expenditures for one year and planned expenditures to yield projected

expenditures. Estimates would also be based on policies for salary increases and inflation identical to those developed in four-year institutions.

State aid is computed by calculating direct instructional cost per credit hour for the discipline groupings (General, Voc-A, Voc-B) and adding the non-instructional cost per credit hour to arrive at a total cost. The state will fund at 50 percent of the estimated total or at a set \$/credit hour, whichever is lesser.

Capital outlay for community colleges is financed almost entirely from local bond effort.

Montana

No report from the three community colleges in Montana.

Nebraska

State appropriations are distributed in ten as nearly as possible equal monthly payments. State funding is based on FTE enrollment ratio for each college to the statewide FTE enrollment total for the preceding fiscal year. The full time equivalent student enrollment total for any area having a population density of less than seven citizens per square mile shall be increased by 20 percent.

Local contributions which make up the second greatest source of income (37%) are generated by property tax receipts: two mills for operation and support, one mill for capital improvements, with a combination not to exceed two and one half mills. The Board of Governors of each community college area has the authority to certify the levy to the county commissioner of each county.

Nevada

No report from the University of Nevada system which includes five community colleges.

New Hampshire

No community colleges are reported, although one technical institute and a vocational-technical college are operating in New Hampshire.

New Jersey

County college funding is principally derived from three sources: state, county, and student fees. State funds are allocated at \$700 per FTE (credit courses) or 50 percent of college operating expenses, whichever is less. County effort ranges from 19 to 44 percent of the college operating budget. A state ceiling of \$500 per academic year has been established for county college tuition rates. County tuition rates range from \$420 to \$500.

In accordance with state regulations county colleges may receive state support for capital projects approved by the Board of Higher Education in amounts not to exceed one-half of costs. Under the state regulation, a county may sell bonds for the entire amount of a county college capital project and receive up to one-half the cost of principal and interest of the bonds on an annual basis from the state.

Currently being reviewed are a number of finance recommendations drafted by the commission to study the mission, financing, and governance of the county colleges. Under review are the following recommendations:

. . . .categorical funding of activities and programs imposed by federal and state statutes

- categorical funding of maintenance of facilities
- funding parity between full time and part-time students
- increased level of funding over a five year period bringing state support to a minimum of 43 percent of operating cost
- tuition rates should not exceed 25 percent of the average education cost per FTE.

As of this writing no legislative action has been taken on these recommendations.

New Mexico

No changes were reported for the 12 campuses of the University which serve in part the community college needs.

New York

The formula for state aid is the lesser of (1) or (2).

(1) Forty percent of net operating cost;

(2) a. \$750/FTE

+
\$35/FTE if student faculty ratio is less than 18.5/1

+
\$35/FTE if sponsor's contribution is no less than 1/2 mill of full valuation of real property in area

b. \$180 full time disadvantaged student, if number of full time disadvantaged students coming from sponsorship area as a percentage of all full time students coming from sponsorship area is no less than the percentage of disadvantaged in the sponsorship area.

c. Fifty percent of rental cost for physical space.

Supplemental aid is awarded by the state for the following programs:

\$180/FTE student enrolled in technical programs.

\$75/FTE student enrolled in business programs.

Total State Operating Aid = Basic State Aid plus Supplemental State Aid.

North Carolina

The definition for FTE has been changed to 176 student hours in membership per quarter (528 per three quarter academic year and 704 student hours per calendar year). This was a policy change rather than a statutory change.

North Dakota

No changes reported for the five institutions.

Ohio

No change for the university colleges in Ohio.

Oklahoma

No changes were reported for either the state or local/state supported community colleges.

Oregon

A two step enrollment driven funding formula provides the bases for state support. The first 1,100 FTEs are funded at a rate of \$1,020/FTE (1977-78), additional FTE are funded at \$770/FTE. The academic transfer courses generate 1 FTE/45CrH. Technical-Vocational, Adult, and Community Education courses generate 1 FTE/680 student contact hours.

Capital improvement projects (construction and related costs) are assisted by the state at 65 percent of cost. The additional revenues are provided through local property tax and bond obligations.

Pennsylvania

No changes reported for the system.

Rhode Island

No changes reported for the state supported college.

South Carolina

No changes reported for the largely state supported system.

South Dakota

No public community colleges are reported although there is a Junior College Division of one university reported and an Ogalala Sioux Community College.

Tennessee

The funding formula is driven by average statewide cost for higher education programs. These costs are reported biennially in a cost study prepared by the Tennessee Higher Education Commission. From the data collected at the various institutions statewide average cost by student credit hour, by program, and by level are computed and used in the budgetary process to request funds for instruction.

Major capital outlay funds are requested by the various institutions and are prioritized within the system for awarding of funds.

Additional services, e.g., library, student services, continuing education, etc. are funded as reported in the 1976 report.

Texas

No changes reported in the large system of locally controlled community colleges in Texas.

Utah

No report. There are five institutions in Utah.

Vermont

No reported community colleges are operating in Vermont.

Virginia

The basic budget priorities are set forth by the governor through the

state budget office. State law requires program budgeting which includes the concept of target budgets and addendum. "Target budgets" as suggested by the governor do not necessarily represent the final recommended budget to the General Assembly, as all institutions can negotiate additional funds through the addenda process.

Concerned with the declining percentage of education and general income generated from student tuition and fees, the 1976 Virginia General Assembly established as a goal that each institution should support, from tuition and required fees, 30 percent of its total educational and general cost. The General Assembly, in turn, committed the state to the goal of supporting up to 70 percent of the education and general cost. Community colleges, although originally excluded from the "fair share bases" thinking will, beginning with the 1980 biennium, be using an 80/20 formula. In-state tuition is expected to increase from a current \$300 per year to \$330.

The 1980-82 higher education budget includes the concepts of flexibility and flooring aimed at addressing the impending leveling-off of enrollments. The "flexibility" factor is reflected in a \$1.8 million request to be distributed to the college and university programs of excellence in higher education for Virginia's students. The "flooring" concept affords some degree of protection when community colleges with less than 1,000 FTE's experience enrollment declines from one biennium to another.

Washington

No major changes were reported.

West Virginia

No changes reported in this state supported system.

Wisconsin

No changes reported.

Wyoming

No report from the seven community colleges.

Conclusions

Some specific observations may be made in reference to financing higher education in general and community colleges in particular. These observations may represent trends in some instances. For example, there seems to be much more discussion of tuition fees than has been the case before. The action of the Virginia legislature and the discussions in California demonstrate the wide acceptance for charging students for a greater portion of their postsecondary education. The effect that this increasing emphasis upon student support as a way of financing the colleges may have upon enrollment is not clear. Commitment to the goals and functions of the community college as usually expressed in the literature may be hampered by increased fees. The extent to which this is true is really not yet known.

Several other observations may also be made: as fees increase student aid is used as an attempt to equalize opportunities. There is much confusion, and in most states there is a need for statewide attention to student aid. The variety of practice, the diversity of support, the false limits and restrictive donor limitations often negate the positive effects of student financial aid.

RIF is a reality in many instances and the evidence seems to point to the fact that very few colleges have made any adequate preparation for RIF at all. The planning which should be encouraged has been neglected or even nonexistent. State financial programs are ill-designed to alleviate RIF programs.

There seems to be a great deal of agreement among state leadership

that the formula funding now generally used in almost all states when combined with unit based funding creates problems not anticipated prior to the current situation. Inflation has caused special problems in this regard. Much of the state-level activity has been centered upon negotiating with the legislature on the amounts used in the unit bases. These amounts have become the point of pressure.

Additional areas for which concern was expressed by the state directors:

- Community college funding which is computed from statewide higher education costs without adjustments for diseconomies of scale may in part penalize some institutions.
- Faculty and staff salaries are in numerous instances below the salaries of faculty members in four-year institutions.
- Failure to adjust the formula for increasing inflation while enrollments remain stable or are starting to decline will decrease available operating revenues.
- Disparity in allocations for full time vs. part-time students; academic programs vs. technical/vocational programs.
- Adequate recognition and support to provide developmental instructional and support services for the student body.

Some Random Conclusions

As one examines the data reported by the state directors or their counterparts, one will note that there are a number of pertinent impressions which may indicate future concern. These are briefly presented here so that the ideas, directions, implications and problems may be more completely catalogued.

The increasing emphasis upon student fees and tuition as a way of providing the funds needed when state and local limitations have been reached causes a number of unanticipated or unpredicted problems. At a time when enrollments have been decreasing because of lower birth rates, lack of pressure from the draft, completion of many of the Vietnam benefits, higher employment rate in some localities (note that community college attendance usually increases during periods of high unemployment), the added burden of increased student costs tend to discourage attendance. Although most states do not set tuition fees at the state level, the pattern set by Virginia and the famed 1/3; 1/3; 1/3 plan used in several eastern states have been based on state level actions. Certainly state limitations on appropriations often result in local decisions to increase fees. The pressure is strong to charge tuition even in California as a result of the lower local support.

One implication of increased fees should be an increase in student aid. Only a few states provide any state leadership in coordination or encouraging student aid. Even though several community colleges have a very high level of participation in various student aid plans, there is little concern expressed at the state level.

A second area of concern centers around ways in which funds are allocated to individual colleges. The tendency of legislatures to negotiate on the

\$/unit found in the formulas results in undependable financial planning. Placing caps on state support causes colleges to absorb greater parts of their total budget than sound funding procedures would ordinarily dictate. Writing formula amounts into the law is a double-edged sword: on one hand, the practice provides some protection from whim or arbitrary actions on the part of the legislature while on the other hand, it renders any sensitivity to current costs difficult to develop. Discussions of the problems caused by FTE based funding are common. Some have suggested the alternative of program band funding. Florida has recently enacted a "corridor" which projects the college allocation 5 percent on either side of the estimated basic FTE. While this procedure protects the college from normal losses of enrollment, it is still an enrollment driven formula and will be sensitive to enrollment vagaries.

It is interesting to note that even when funds have become very limited there is little attention given to out of district fees even where heavy local contributions are required. Charge back is also seldom used. On the other hand out of state fees are almost prohibitive and state support is not even provided for nonresidents students in several states.

The seeking of ways to cut expenses has caused colleges to develop plans for RIF (Reduction in Force) although little state level leadership has been provided these institutions in this regard.

The energy shortages cause two specific effects upon community college financing: the increased portion of institutional budgets allocated to utilities cause specific problems in the development of sound budgets, and increasing prices and the possible shortages of gasoline in particular cause particular problems for the commuting students. The former effect

has carved out a constant expenditure in college budgets for utilities, one which is becoming larger each year and which has generally become a fixed cost rather than a variable one. The latter problem will certainly affect enrollment in a community based institution.

Costs of accountability are also causing institutions great difficulty in their budget preparation. Completing miscellaneous forms for both state and federal government reports is increasing costs of college administration to a noticeable degree. Control over this item is outside the college.

It will be noted that capital outlay needs are not as pressing as they once were. One may wonder, however, if there is a change in needs for dormitories in some community colleges if the energy crunch and cost of gasoline increases. If it costs more to commute than to live away from home, a new group of institutional problems will undoubtedly develop. The need for funds to use to rent or lease space has not been provided for in many states.

Tables

The following tables display data which is comparable to former studies. Table 1 shows those 35 states from which data were received on cost per student. Table 1A shows those 15 states from which these data were not received.

Table 2 provides general information from the 38 states completing the questionnaire. Table 3 indicates the amounts of appropriations, and Table 4 provides information regarding the sources of funds.

These data may be compared with previous reports prepared by the Institute.

Table 1
Rank Order of States As a
Function of Average Expenditure Per F.T.E. 1977-78

State	Public College Enrollment 1977 ¹	Reported F.T.E. 1977 ²	Average Expenditure/F.T.E. ²
Wisconsin	127,092	52,234	\$ 2,634
Delaware	6,956	4,316	2,517
Georgia	35,822	30,000	2,500
Nebraska	16,409	13,571	2,314
Indiana	19,113	3,411	2,312
New York	246,741	115,340	2,278
Tennessee	36,676	16,821	2,235
New Mexico	10,080	6,300	2,100
Missouri	49,519	29,531	2,034
West Virginia	16,384	4,650	2,002
Minnesota	30,856	20,269	1,987
Arkansas	10,738	5,725	1,972
Maryland	84,640	54,327	1,939
Iowa	31,404	42,720	1,889
New Jersey	87,263	68,500	1,823
Virginia	94,228	52,323	1,763
Ohio	128,638	N/A	1,758
Washington	139,394	85,666	1,634
Pennsylvania	71,316	70,000	1,630
Louisiana	15,786	6,061	1,624
Arizona	99,177	50,707	1,606
Colorado	42,723	20,988	1,605
Florida	183,363	173,206	1,601
California	1,134,899	717,747	1,597
Massachusetts	71,596	29,000	1,575
Illinois	331,374	164,737	1,566
North Carolina	103,674	104,948	1,559
Mississippi	33,847	38,445	1,502
Oklahoma	41,861	25,610	1,420
Kentucky	32,676	11,732	1,378
Connecticut	36,845	17,806	1,374
Michigan	190,520	108,588	1,123
South Carolina	37,396	38,806	1,010
North Dakota	7,454	3,518	18.59*

($\bar{M}$ =1,813)

* The average weekly expenditure per F.T.E.

1. Report in AACJC 1979 Directory
2. Report by State Directors

Table 1A

States From Which No Data Were Reported

No Data Reported	Public College Enrollment (1)
Alabama	51,658
Alaska	5,847
Hawaii	20,762
Idaho	3,526
Kansas	31,732
Maine	8,346
Montana	3,101
Nevada	12,235
New Hampshire	5,077
Oregon	64,176
Rhode Island	10,319
South Dakota	577
Texas	297,897
Utah	13,575
Vermont	2,281
Wyoming	10,375

(1) Report in AACJC 1979 Directory

Table 2
Tabulation Sheet

Financial Survey 1978
N.C.S.D.C.C.

State	Changes Since 1976	1977-78		Percent of 1977-78 Operating Funds by Source				
		FTE Students	Avg. Expend- ture FTE	State	Local	Federal	Fees	Other
Arkansas	yes	5,725	\$ 1,972	76.6 %	.3 %	3.4%	18.4 %	1.3 %
Arizona	yes	50,707	1,606	31.0	52.0	--	5.0	12.0
California	yes	717,747	1,597	42.4	40.0	7.6	--	--
Colorado (state)	yes	20,988	1,605	70.0			25.0	5.0
Colorado (District)				40.0	35.0	--	20.0	5.0
Connecticut	no	17,806	1,374	73.5	0.0	12.2	13.4	.9
Delaware	no	4,316	2,517	87.0	--	13.0	--	--
Florida	yes	173,206	1,601	67.0	2.0	7.0	24.0	--
Georgia	no	30,000	2,500	75.0	--	--	25.0	--
Illinois	yes	164,737	1,566	48.9	34.3	2.6	14.2	--
Indiana	no	3,411	2,312	63.0	1.0	2.0	29.0	5.0
Iowa	yes	42,720	1,889	52.75	11.30	10.91	21.95	3.09
Kentucky	no	11,732	1,378	67.0	1	9.9	23.0	1
Louisiana	yes	6,061	1,624	70.0	-0-	1.0	29.0	-0-
Maryland	yes	54,327	1,939	41.0	30.0	--	27.0	2.0
Massachusetts	no	29,000	1,575	95.0		5.0		
Michigan	no	108,588	1,123	48.0	30.0	--	22.0	--
Minnesota	no	20,269	1,987	75.0	-0-	.5	24.0	.5
Mississippi	no	38,445	1,502	(1) 43.0	17.0	7.0	16.0	1.0
Missouri	yes	29,531	2,034	42.0	20.0	5.0	33.0	--
Nebraska	yes	13,571	2,314	44.0	37.0	3.0	14.0	2.0
New Hampshire	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
New Jersey	no	68,500	1,823	35.0	32.0	--	28.0	5.0
New Mexico	no	6,300	2,100	60.0	11.0	8.0	16.0	(2) 5.0
New York	yes	115,340	2,278	35.9	29.3	2.2	30.1	2.5

- 32 -

State	Changes Since 1976	1977-78		Percent of 1977-78 Operating Funds by Source				
		FTE Students	Avg. Expend- ture FTE	State	Local	Federal	Fees	Other
North Carolina	yes	104,900	\$ 1,559	73.0 %	13.0 %	6.0 %	7.5 %	.5 %
North Dakota	no	3,518	(3) 18.59	52.0	7.0	3.0	32.0	5.0
Ohio	no	--	1,758	45.8	28.6	1.4	21.5	2.7
Oklahoma	no	25,610	1,420	69.5	--	--	17.0	(4) 13.5
Oregon	yes	N/A	(5) N/A	N/A	N/A	N/A	N/A	N/A
Pennsylvania	no	70,000	1,630	38.0	26.0	2.0	34.0	--
Rhode Island	no	--	--	69.7	--	10.4	18.0	1.9
South Carolina	no	38,806	1,010	52.46	7.97	19.35	20.12	.1
Tennessee	yes	16,821	2,235	69.5	.2	6.4	15.0	(6) 8.9
Texas	no	N/A	N/A	65.0 (7)	31.0	4.0	--	--
Virginia	no	52,323	1,763	76.8	0	.8	22.4	0
Washington	no	85,666	1,634	83.2	4.4	12.3	--	--
West Virginia	no	4,650	2,002	58.0	0	15.0	25.0	2.0
Wisconsin	no	52,234	2,634	22.5	48.7	10.2	8.8	9.8

(1) Mississippi--an additional 16% is listed as "indirect state"

(2) New Mexico--ad valorem taxes

(3) North Dakota--Avg. weekly exp. FTE

(4) Oklahoma--includes local tax

(5) Pennsylvania--state and local fees

(6) Tennessee--gifts, grants, and contracts

(7) Texas--includes student fees and local taxes

N/A--not available in report

Table 3

STATE APPROPRIATIONS FOR PUBLIC COMMUNITY/JUNIOR COLLEGES
(IN THOUSANDS OF DOLLARS)

State	CURRENT OPERATIONS			CAPITAL OUTLAY			TOTAL		
	(Aug. 1976) 1975-76	(Aug. 1978) 1977-78	Percent Change	1975-76	1977-78	Percent Change	1975-76	1977-78	Percent Change
Arkansas	9,113	8,646	-5%	0	N/A	--	N/A	N/A	--
Arizona	29,610	35,994	32%	7,209	11,007	53%	36,819	47,001	28%
California	N/A	472,907	--	35,905	85,513	138%	N/A	605,421	--
Colorado	35,400	54,634	54%	1,043	1,979	90%	36,433	56,613	55%
Connecticut	N/A	23,772	--	N/A	209	--	N/A	23,981	--
Delaware	9,605	13,361	39%	2,454	N/A	--	12,059	--	--
Florida	152,834	179,381	17%	30,754	41,957	36%	183,588	221,338	21%
Georgia	20,280	N/A	--	N/A	N/A	--	--	--	--
Illinois	80,560	111,771	39%	55,250	29,740	-46%	135,810	141,511	4%
Indiana	3,023	N/A	--	913	N/A	--	3,936	N/A	--
Iowa	35,812	N/A	--	8,937	9,607	7%	44,749	--	--
Kentucky	211	15,348	--	N/A	N/A	--	--	--	--
Louisiana	N/A	7,189	--	N/A	N/A	--	--	--	--
Maryland	37,535	45,112	20%	10,519	N/A	--	48,054	--	--
Massachusetts	N/A	53,000	--	N/A	N/A	--	N/A	N/A	--
Michigan	N/A	N/A	--	N/A	12,997	--	N/A	--	--
Minnesota	35,934	N/A	--	N/A	1,100	--	--	--	--

- 34 -

41

State	CURRENT OPERATIONS			CAPITAL OUTLAY			TOTAL		
	(Aug. 1976) 1975-76	(Aug. 1978) 1977-78	Percent Change	1975-76	1977-78	Percent Change	1975-76	1977-78	Percent Change
Mississippi	26,944	24,700	- 8%	- 0 -	15,029	--	--	39,729	--
Missouri	18,008	21,806	21%	- 0 -	N/A	--	--	--	--
Nebraska	N/A	14,100	--	N/A	7,284		N/A	21,384	--
New Hampshire	N/A	N/A	--	N/A	N/A	--	N/A	N/A	--
New Jersey	102,556	134,764	31%	N/A	N/A	--	--	--	--
New Mexico	2,282	8,403	268%	N/A	N/A	--	--	--	--
New York	83,204	268,213	222%	53,668	- 0 -	--	136,872	--	--
North Dakota	N/A	5,179	--	N/A	N/A	--	N/A	--	--
Ohio	23,082	N/A	--	17,711	11,600	--	40,853	--	--
Oklahoma	17,309	27,773	60%	6,826	2,225	-133%	24,135	29,998	24%
Oregon	32,042	41,221	29%	12,000 (biennial)	N/A	--	44,042	--	--
Pennsylvania	28,890	46,600	61%	10,100	N/A	--	38,990	N/A	--
Puerto Rico	--	--	--	--	--	--	--	--	--
Rhode Island	9,047	17,074	89%	3,650	403	--	12,697	17,477	--
South Carolina	24,674	30,990	26%	4,441	N/A	--	29,115	--	--
Tennessee	15,997	26,821	67%	3,540	9,188	160%	19,537	36,009	84%
Texas	144,042	N/A	--	N/A	N/A	--	--	N/A	--

State	CURRENT OPERATIONS			CAPITAL OUTLAY			TOTAL		
	(Aug. '76) 1975-76	(Aug. '76) 1977-78	Percent Change	1975-76	1977-78	Percent Change	1975-76	1977-78	Percent Change
Virginia	N/A	92,748	--	N/A	27,254	--	N/A	120,002	--
Washington	101,627	160,108	58 %	29,000	7,600	-73 %	130,627	167,708	28 %
West Virginia	4,265	5,292	24	N/A	4,825	--	N/A	10,117	--
Wisconsin	30,191	53,048	76	4,322	19,955	78	34,513	73,003	52

OCT 19 1979

CLEARINGHOUSE FOR
JUNIOR COLLEGES

Table 4

Percentage of Tax Support By Source
Reported For Financing Community Colleges
1977-78

State	State General Revenue Fund	Local Ad Valorem Property Taxes
Arizona	31.0 %	52.0 %
California	42.4	50.0
Delaware	87.0	--
Florida	67.0	2.0
Georgia	75.0	--
Iowa	52.8	11.3
Maryland	41.0	30.0
Michigan	48.0	30.0
Missouri	42.0	20.0
New York	36.0	29.0
Oklahoma	68.5	--
Pennsylvania	38.0	26.0
Washington	83.2	4.4
Wisconsin	22.5	48.7
Mississippi	43.0	17.0
Arkansas	76.6	.3
South Carolina	52.5	7.9
Texas	65.0	(1) 31.0
Massachusetts	95.0	-
Indiana	63.0	1.0
West Virginia	58.0	--
Tennessee	69.5	.2
Rhode Island	69.7	--
Ohio	45.8	28.6
Illinois	48.9	34.3
New Hampshire	--	--
Minnesota	75.0	--
Nebraska	44.0	37.0
Virginia	76.8	--
New Mexico	60.0	11.0
Kentucky	67.0	.5
Louisiana	70.0	--
Connecticut	73.5	--
New Jersey	35.0	32.0

(1) Texas includes student fees